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Introduced by Sens. STAVISKY, ADDABBO, COMRIE, GOUNARDES, HOYLMAN, KAMINSKY, KENNEDY, MAYER, RAMOS, SALAZAR, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education

AN ACT to amend the business corporation law, the partnership law and the limited liability company law, in relation to certified public accountants

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 1503 of the business corporation law is amended by
2 adding a new paragraph (h) to read as follows:

3 (h) Any firm established for the business purpose of incorporating as
4 a professional service corporation formed to lawfully engage in the
5 practice of public accountancy, as such practice is respectively defined
6 under article one hundred forty-nine of the education law shall be
7 required to show (1) that a simple majority of the ownership of the
8 firm, in terms of financial interests, and voting rights held by the
9 firm's owners, belongs to individuals licensed to practice public
10 accountancy in some state, and (2) that all shareholders of a profes-
11 sional service corporation whose principal place of business is in this
12 state, and who are engaged in the practice of public accountancy in this
13 state, hold a valid license issued under section seventy-four hundred
14 four of the education law. For purposes of this paragraph, "financial
15 interest" means capital stock, capital accounts, capital contributions,
16 capital interest, or interest in undistributed earnings of a business
17 entity. Although firms may include non-licensee owners, the firm and
18 its owners must comply with rules promulgated by the state board of
19 regents. Notwithstanding the foregoing, a firm incorporated under this
20 section may not have non-licensee owners if the firm's name includes the
21 words "certified public accountant," or "certified public accountants,"
22 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 that is incorporated under this section shall be a natural person who
2 actively participates in the business of the firm or its affiliated
3 entities. For purposes of this subdivision, "actively participate" means
4 to provide services to clients or to otherwise individually take part in
5 the day-to-day business or management of the firm. Such a firm shall
6 have attached to its certificate of incorporation a certificate or
7 certificates demonstrating the firm's compliance with this paragraph, in
8 lieu of the certificate or certificates required by subparagraph (ii) of
9 paragraph (b) of this section.

10 § 2. Section 1507 of the business corporation law is amended by adding
11 a new paragraph (c) to read as follows:

12 (c) Any firm established for the business purpose of incorporating as
13 a professional service corporation pursuant to paragraph (h) of section
14 fifteen hundred three of this article may issue shares to individuals
15 who are authorized by law to practice in this state the profession which
16 such corporation is authorized to practice and who are or have been
17 engaged in the practice of such profession in such corporation or a
18 predecessor entity, or who will engage in the practice of such profes-
19 sion in such corporation within thirty days of the date such shares are
20 issued and may also issue shares to employees of the corporation not
21 licensed as certified public accountants, provided that:

22 (i) at least fifty-one percent of the outstanding shares of stock of
23 the corporation are owned by certified public accountants,

24 (ii) at least fifty-one percent of the directors are certified public
25 accountants,

26 (iii) at least fifty-one percent of the officers are certified public
27 accountants,

28 (iv) the president, the chairperson of the board of directors and the
29 chief executive officer or officers are certified public accountants.

30 No shareholder of a firm established for the business purpose of incor-
31 porating as a professional service corporation pursuant to paragraph (h)
32 of section fifteen hundred three of this article shall enter into a
33 voting trust agreement, proxy or any other type of agreement vesting in
34 another person, other than another shareholder of the same corporation,
35 the authority to exercise voting power of any or all of his or her
36 shares. All shares issued, agreements made or proxies granted in
37 violation of this section shall be void.

38 § 3. Section 1508 of the business corporation law is amended by adding
39 a new paragraph (c) to read as follows:

40 (c) The directors and officers of any firm established for the busi-
41 ness purpose of incorporating as a professional service corporation
42 pursuant to paragraph (h) of section fifteen hundred three of this arti-
43 cle may include individuals who are not licensed to practice public
44 accountancy, provided however that at least fifty-one percent of the
45 directors, at least fifty-one percent of the officers and the president,
46 the chairperson of the board of directors and the chief executive offi-
47 cer or officers are authorized by law to practice in any state the
48 profession which such corporation is authorized to practice, and are
49 either shareholders of such corporation or engaged in the practice of
50 their professions in such corporation.

51 § 4. Section 1509 of the business corporation law, as amended by chap-
52 ter 550 of the laws of 2011, is amended to read as follows:

53 § 1509. Disqualification of shareholders, directors, officers and
54 employees.

55 If any shareholder, director, officer or employee of a professional
56 service corporation, including a design professional service corpo-

1 ration, who has been rendering professional service to the public
2 becomes legally disqualified to practice his or her profession within
3 this state, he or she shall sever all employment with, and financial
4 interests (other than interests as a creditor) in, such corporation
5 forthwith or as otherwise provided in section 1510 of this article. All
6 provisions of law regulating the rendering of professional services by a
7 person elected or appointed to a public office shall be applicable to a
8 shareholder, director, officer and employee of such corporation in the
9 same manner and to the same extent as if fully set forth herein. Such
10 legal disqualification to practice his or her profession within this
11 state shall be deemed to constitute an irrevocable offer by the disqual-
12 ified shareholder to sell his or her shares to the corporation, pursuant
13 to the provisions of section 1510 of this article or of the certificate
14 of incorporation, by-laws or agreement among the corporation and all
15 shareholders, whichever is applicable. Compliance with the terms of such
16 offer shall be specifically enforceable in the courts of this state. A
17 professional service corporation's failure to enforce compliance with
18 this provision shall constitute a ground for forfeiture of its certifi-
19 cate of incorporation and its dissolution.

20 § 5. Paragraph (a) of section 1511 of the business corporation law, as
21 amended by chapter 550 of the laws of 2011, is amended and a new para-
22 graph (c) is added to read as follows:

23 (a) No shareholder of a professional service corporation [~~ex~~], includ-
24 ing a design professional service corporation, may sell or transfer his
25 or her shares in such corporation except to another individual who is
26 eligible to have shares issued to him or her by such corporation or
27 except in trust to another individual who would be eligible to receive
28 shares if he or she were employed by the corporation. Nothing herein
29 contained shall be construed to prohibit the transfer of shares by oper-
30 ation of law or by court decree. No transferee of shares by operation
31 of law or court decree may vote the shares for any purpose whatsoever
32 except with respect to corporate action under sections 909 and 1001 of
33 this chapter. The restriction in the preceding sentence shall not apply,
34 however, where such transferee would be eligible to have shares issued
35 to him or her if he or she were an employee of the corporation and, if
36 there are other shareholders, a majority of such other shareholders
37 shall fail to redeem the shares so transferred, pursuant to section 1510
38 of this article, within sixty days of receiving written notice of such
39 transfer. Any sale or transfer, except by operation of law or court
40 decree or except for a corporation having only one shareholder, may be
41 made only after the same shall have been approved by the board of direc-
42 tors, or at a shareholders' meeting specially called for such purpose by
43 such proportion, not less than a majority, of the outstanding shares as
44 may be provided in the certificate of incorporation or in the by-laws of
45 such professional service corporation. At such shareholders' meeting the
46 shares held by the shareholder proposing to sell or transfer his or her
47 shares may not be voted or counted for any purpose, unless all share-
48 holders consent that such shares be voted or counted. The certificate of
49 incorporation or the by-laws of the professional service corporation, or
50 the professional service corporation and the shareholders by private
51 agreement, may provide, in lieu of or in addition to the foregoing
52 provisions, for the alienation of shares and may require the redemption
53 or purchase of such shares by such corporation at prices and in a manner
54 specifically set forth therein. The existence of the restrictions on the
55 sale or transfer of shares, as contained in this article and, if appli-
56 cable, in the certificate of incorporation, by-laws, stock purchase or

1 stock redemption agreement, shall be noted conspicuously on the face or
2 back of every certificate for shares issued by a professional service
3 corporation. Any sale or transfer in violation of such restrictions
4 shall be void.

5 (c) A firm established for the business purpose of incorporating as a
6 professional service corporation pursuant to paragraph (h) of section
7 fifteen hundred three of this article, shall purchase or redeem the
8 shares of a non-licensed professional shareholder in the case of his or
9 her termination of employment within thirty days after such termination.
10 A firm established for the business purpose of incorporating as a
11 professional service corporation pursuant to paragraph (h) of section
12 fifteen hundred three of this article, shall not be required to purchase
13 or redeem the shares of a terminated non-licensed professional share-
14 holder if such shares, within thirty days after such termination, are
15 sold or transferred to another employee of the corporation pursuant to
16 this article.

17 § 6. Section 1514 of the business corporation law is amended by adding
18 a new paragraph (c) to read as follows:

19 (c) Each firm established for the business purpose of incorporating as
20 a professional service corporation pursuant to paragraph (h) of section
21 fifteen hundred three of this article shall, at least once every three
22 years on or before the date prescribed by the licensing authority,
23 furnish a statement to the licensing authority listing the names and
24 residence addresses of each shareholder, director and officer of such
25 corporation and certify as the date of certification and at all times
26 over the entire three year period that:

27 (i) at least fifty-one percent of the outstanding shares of stock of
28 the corporation are and were owned by certified public accountants,

29 (ii) at least fifty-one percent of the directors are and were certi-
30 fied public accountants,

31 (iii) at least fifty-one percent of the officers are and were certi-
32 fied public accountants,

33 (iv) the president, the chairperson of the board of directors and the
34 chief executive officer or officers are and were certified public
35 accountants.

36 The statement shall be signed by the president or any certified public
37 accountant vice-president and attested to by the secretary or any
38 assistant secretary of the corporation.

39 § 7. Paragraph (d) of section 1525 of the business corporation law, as
40 added by chapter 505 of the laws of 1983, is amended to read as follows:

41 (d) "Foreign professional service corporation" means a professional
42 service corporation, whether or not denominated as such, organized under
43 the laws of a jurisdiction other than this state, all of the sharehold-
44 ers, directors and officers of which are authorized and licensed to
45 practice the profession for which such corporation is licensed to do
46 business; except that all shareholders, directors and officers of a
47 foreign professional service corporation which provides health services
48 in this state shall be licensed in this state. A foreign professional
49 service corporation formed to lawfully engage in the practice of public
50 accountancy, as such practice is defined under article one hundred
51 forty-nine of the education law, or equivalent state law, shall be
52 required to show (1) that a simple majority of the ownership of the
53 firm, in terms of financial interests, and voting rights held by the
54 firm's owners, belongs to individuals licensed to practice public
55 accountancy in some state, and (2) that all shareholders of a foreign
56 professional service corporation whose principal place of business is in

1 this state, and who are engaged in the practice of public accountancy in
2 this state, hold a valid license issued under section seventy-four
3 hundred four of the education law. For purposes of this paragraph,
4 "financial interest" means capital stock, capital accounts, capital
5 contributions, capital interest, or interest in undistributed earnings
6 of a business entity. Although firms may include non-licensee owners,
7 the firm and its owners must comply with rules promulgated by the state
8 board of regents. Notwithstanding the foregoing, a firm registered
9 under this section may not have non-licensee owners if the firm's name
10 includes the words "certified public accountant," or "certified public
11 accountants," or the abbreviations "CPA" or "CPAs". Each non-licensee
12 owner of a firm that is operating under this section shall be a natural
13 person who actively participates in the business of the firm or its
14 affiliated entities, provided each beneficial owner of an equity inter-
15 est in such entity is a natural person who actively participates in the
16 business conducted by the firm or its affiliated entities. For purposes
17 of this paragraph, "actively participate" means to provide services to
18 clients or to otherwise individually take part in the day-to-day busi-
19 ness or management of the firm.

20 § 8. Subdivision (q) of section 121-1500 of the partnership law, as
21 amended by chapter 475 of the laws of 2014, is amended to read as
22 follows:

23 (q) Each partner of a registered limited liability partnership formed
24 to provide medical services in this state must be licensed pursuant to
25 article 131 of the education law to practice medicine in this state and
26 each partner of a registered limited liability partnership formed to
27 provide dental services in this state must be licensed pursuant to arti-
28 cle 133 of the education law to practice dentistry in this state. Each
29 partner of a registered limited liability partnership formed to provide
30 veterinary services in this state must be licensed pursuant to article
31 135 of the education law to practice veterinary medicine in this state.
32 Each partner of a registered limited liability partnership formed to
33 provide public accountancy services, whose principal place of business
34 is in this state and who provides public accountancy services, must be
35 licensed pursuant to article 149 of the education law to practice public
36 accountancy in this state. Each partner of a registered limited liabil-
37 ity partnership formed to provide professional engineering, land survey-
38 ing, geological services, architectural and/or landscape architectural
39 services in this state must be licensed pursuant to article 145, article
40 147 and/or article 148 of the education law to practice one or more of
41 such professions in this state. Each partner of a registered limited
42 liability partnership formed to provide licensed clinical social work
43 services in this state must be licensed pursuant to article 154 of the
44 education law to practice clinical social work in this state. Each part-
45 ner of a registered limited liability partnership formed to provide
46 creative arts therapy services in this state must be licensed pursuant
47 to article 163 of the education law to practice creative arts therapy in
48 this state. Each partner of a registered limited liability partnership
49 formed to provide marriage and family therapy services in this state
50 must be licensed pursuant to article 163 of the education law to prac-
51 tice marriage and family therapy in this state. Each partner of a regis-
52 tered limited liability partnership formed to provide mental health
53 counseling services in this state must be licensed pursuant to article
54 163 of the education law to practice mental health counseling in this
55 state. Each partner of a registered limited liability partnership formed
56 to provide psychoanalysis services in this state must be licensed pursu-

1 ant to article 163 of the education law to practice psychoanalysis in
2 this state. Each partner of a registered limited liability partnership
3 formed to provide applied behavior analysis service in this state must
4 be licensed or certified pursuant to article 167 of the education law to
5 practice applied behavior analysis in this state. A limited liability
6 partnership formed to lawfully engage in the practice of public account-
7 ancy, as such practice is respectively defined under article 149 of the
8 education law, shall be required to show (1) that a simple majority of
9 the ownership of the firm, in terms of financial interests, and voting
10 rights held by the firm's owners, belongs to individuals licensed to
11 practice public accountancy in some state, and (2) that all partners of
12 a limited liability partnership whose principal place of business is in
13 this state, and who are engaged in the practice of public accountancy in
14 this state, hold a valid license issued under section seventy-four
15 hundred four of the education law. For purposes of this subdivision,
16 "financial interest" means capital stock, capital accounts, capital
17 contributions, capital interest, or interest in undistributed earnings
18 of a business entity. Although firms may include non-licensee owners,
19 the firm and its owners must comply with rules promulgated by the state
20 board of regents. Notwithstanding the foregoing, a firm registered under
21 this section may not have non-licensee owners if the firm's name
22 includes the words "certified public accountant," or "certified public
23 accounts," or the abbreviations "CPA" or "CPAs". Each non-licensee owner
24 of a firm that is formed under this section shall be (1) a natural
25 person who actively participates in the business of the firm or its
26 affiliated entities, or (2) an entity, including, but not limited to, a
27 partnership or professional corporation, provided each beneficial owner
28 of an equity interest in such entity is a natural person who actively
29 participates in the business conducted by the firm or its affiliated
30 entities. For purposes of this subdivision, "actively participate" means
31 to provide services to clients or to otherwise individually take part in
32 the day-to-day business or management of the firm.

33 § 9. Subdivision (q) of section 121-1502 of the partnership law, as
34 amended by chapter 475 of the laws of 2014, is amended to read as
35 follows:

36 (q) Each partner of a foreign limited liability partnership which
37 provides medical services in this state must be licensed pursuant to
38 article 131 of the education law to practice medicine in the state and
39 each partner of a foreign limited liability partnership which provides
40 dental services in the state must be licensed pursuant to article 133 of
41 the education law to practice dentistry in this state. Each partner of a
42 foreign limited liability partnership which provides veterinary service
43 in the state shall be licensed pursuant to article 135 of the education
44 law to practice veterinary medicine in this state. Each partner of a
45 foreign limited liability partnership which provides professional engi-
46 neering, land surveying, geological services, architectural and/or land-
47 scape architectural services in this state must be licensed pursuant to
48 article 145, article 147 and/or article 148 of the education law to
49 practice one or more of such professions. Each partner of a foreign
50 registered limited liability partnership formed to provide public
51 accountancy services, whose principal place of business is in this state
52 and who provides public accountancy services, must be licensed pursuant
53 to article 149 of the education law to practice public accountancy in
54 this state. Each partner of a foreign limited liability partnership
55 which provides licensed clinical social work services in this state must
56 be licensed pursuant to article 154 of the education law to practice

1 licensed clinical social work in this state. Each partner of a foreign
2 limited liability partnership which provides creative arts therapy
3 services in this state must be licensed pursuant to article 163 of the
4 education law to practice creative arts therapy in this state. Each
5 partner of a foreign limited liability partnership which provides
6 marriage and family therapy services in this state must be licensed
7 pursuant to article 163 of the education law to practice marriage and
8 family therapy in this state. Each partner of a foreign limited liabil-
9 ity partnership which provides mental health counseling services in this
10 state must be licensed pursuant to article 163 of the education law to
11 practice mental health counseling in this state. Each partner of a
12 foreign limited liability partnership which provides psychoanalysis
13 services in this state must be licensed pursuant to article 163 of the
14 education law to practice psychoanalysis in this state. Each partner of
15 a foreign limited liability partnership which provides applied behavior
16 analysis services in this state must be licensed or certified pursuant
17 to article 167 of the education law to practice applied behavior analy-
18 sis in this state. A foreign limited liability partnership formed to
19 lawfully engage in the practice of public accountancy, as such practice
20 is respectively defined under article 149 of the education law, shall be
21 required to show (1) that a simple majority of the ownership of the
22 firm, in terms of financial interests, and voting rights held by the
23 firm's owners, belongs to individuals licensed to practice public
24 accountancy in some state, and (2) that all partners of a foreign limit-
25 ed liability partnership whose principal place of business is in this
26 state, and who are engaged in the practice of public accountancy in this
27 state, hold a valid license issued under section seventy-four hundred
28 four of the education law. For purposes of this subdivision, "financial
29 interest" means capital stock, capital accounts, capital contributions,
30 capital interest, or interest in undistributed earnings of a business
31 entity. Although firms may include non-licensee owners, the firm and
32 its owners must comply with rules promulgated by the state board of
33 regents. Notwithstanding the foregoing, a firm registered under this
34 section may not have non-licensee owners if the firm's name includes the
35 words "certified public accountant," or "certified public accountants,"
36 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
37 that is formed under this section shall be (1) a natural person who
38 actively participates in the business of the firm or its affiliated
39 entities, or (2) an entity, including, but not limited to, a partnership
40 or professional corporation, provided each beneficial owner of an equity
41 interest in such entity is a natural person who actively participates in
42 the business conducted by the firm or its affiliated entities. For
43 purposes of this subdivision, "actively participate" means to provide
44 services to clients or to otherwise individually take part in the day-
45 to-day business or management of the firm.

46 § 10. Subdivision (h) of section 121-101 of the partnership law, as
47 added by chapter 950 of the laws of 1990, is amended to read as follows:

48 (h) "Limited partnership" and "domestic limited partnership" mean,
49 unless the context otherwise requires, a partnership (i) formed by two
50 or more persons pursuant to this article or which complies with subdivi-
51 sion (a) of section 121-1202 of this article and (ii) having one or more
52 general partners and one or more limited partners. Notwithstanding any
53 other provisions of law a limited partnership or domestic limited part-
54 nership formed to lawfully engage in the practice of public accountancy,
55 as such practice is respectively defined under article 149 of the educa-
56 tion law shall be required to show (1) that a simple majority of the

1 ownership of the firm, in terms of financial interests, including owner-
2 ship-based compensation, and voting rights held by the firm's owners,
3 belongs to individuals licensed to practice public accountancy in some
4 state, and (2) that all partners of a limited partnership or domestic
5 limited partnership, whose principal place of business is in this state,
6 and who are engaged in the practice of public accountancy in this state,
7 hold a valid license issued under section seventy-four hundred four of
8 the education law or are public accountants licensed under section
9 seventy-four hundred five of the education law. Although firms may
10 include non-licensee owners, the firm and its owners must comply with
11 rules promulgated by the state board of regents. Notwithstanding the
12 foregoing, a firm registered under this section may not have non-licen-
13 see owners if the firm's name includes the words "certified public
14 accountant," or "certified public accountants," or the abbreviations
15 "CPA" or "CPAs". Each non-licensee owner of a firm that is registered
16 under this section shall be (1) a natural person who actively partic-
17 ipates in the business of the firm or its affiliated entities, or (2) an
18 entity, including, but not limited to, a partnership or professional
19 corporation, provided each beneficial owner of an equity interest in
20 such entity is a natural person who actively participates in the busi-
21 ness conducted by the firm or its affiliated entities. For purposes of
22 this subdivision, "actively participate" means to provide services to
23 clients or to otherwise individually take part in the day-to-day busi-
24 ness or management of the firm.

25 § 11. Subdivision (b) of section 1207 of the limited liability company
26 law, as amended by chapter 475 of the laws of 2014, is amended to read
27 as follows:

28 (b) With respect to a professional service limited liability company
29 formed to provide medical services as such services are defined in arti-
30 cle 131 of the education law, each member of such limited liability
31 company must be licensed pursuant to article 131 of the education law to
32 practice medicine in this state. With respect to a professional service
33 limited liability company formed to provide dental services as such
34 services are defined in article 133 of the education law, each member of
35 such limited liability company must be licensed pursuant to article 133
36 of the education law to practice dentistry in this state. With respect
37 to a professional service limited liability company formed to provide
38 veterinary services as such services are defined in article 135 of the
39 education law, each member of such limited liability company must be
40 licensed pursuant to article 135 of the education law to practice veter-
41 inary medicine in this state. With respect to a professional service
42 limited liability company formed to provide professional engineering,
43 land surveying, architectural, landscape architectural and/or geological
44 services as such services are defined in article 145, article 147 and
45 article 148 of the education law, each member of such limited liability
46 company must be licensed pursuant to article 145, article 147 and/or
47 article 148 of the education law to practice one or more of such
48 professions in this state. With respect to a professional service
49 limited liability company formed to provide public accountancy services
50 as such services are defined in article 149 of the education law each
51 member of such limited liability company whose principal place of busi-
52 ness is in this state and who provides public accountancy services, must
53 be licensed pursuant to article 149 of the education law to practice
54 public accountancy in this state. With respect to a professional service
55 limited liability company formed to provide licensed clinical social
56 work services as such services are defined in article 154 of the educa-

1 tion law, each member of such limited liability company shall be
2 licensed pursuant to article 154 of the education law to practice
3 licensed clinical social work in this state. With respect to a profes-
4 sional service limited liability company formed to provide creative arts
5 therapy services as such services are defined in article 163 of the
6 education law, each member of such limited liability company must be
7 licensed pursuant to article 163 of the education law to practice crea-
8 tive arts therapy in this state. With respect to a professional service
9 limited liability company formed to provide marriage and family therapy
10 services as such services are defined in article 163 of the education
11 law, each member of such limited liability company must be licensed
12 pursuant to article 163 of the education law to practice marriage and
13 family therapy in this state. With respect to a professional service
14 limited liability company formed to provide mental health counseling
15 services as such services are defined in article 163 of the education
16 law, each member of such limited liability company must be licensed
17 pursuant to article 163 of the education law to practice mental health
18 counseling in this state. With respect to a professional service limited
19 liability company formed to provide psychoanalysis services as such
20 services are defined in article 163 of the education law, each member of
21 such limited liability company must be licensed pursuant to article 163
22 of the education law to practice psychoanalysis in this state. With
23 respect to a professional service limited liability company formed to
24 provide applied behavior analysis services as such services are defined
25 in article 167 of the education law, each member of such limited liabil-
26 ity company must be licensed or certified pursuant to article 167 of the
27 education law to practice applied behavior analysis in this state. A
28 professional service limited liability company formed to lawfully engage
29 in the practice of public accountancy, as such practice is respectively
30 defined under article 149 of the education law shall be required to show
31 (1) that a simple majority of the ownership of the firm, in terms of
32 financial interests, and voting rights held by the firm's owners,
33 belongs to individuals licensed to practice public accountancy in some
34 state, and (2) that all members of a limited professional service limit-
35 ed liability company, whose principal place of business is in this
36 state, and who are engaged in the practice of public accountancy in this
37 state, hold a valid license issued under section seventy-four hundred
38 four of the education law. For purposes of this subdivision, "financial
39 interest" means capital stock, capital accounts, capital contributions,
40 capital interest, or interest in undistributed earnings of a business
41 entity. Although firms may include non-licensee owners, the firm and
42 its owners must comply with rules promulgated by the state board of
43 regents. Notwithstanding the foregoing, a firm registered under this
44 section may not have non-licensee owners if the firm's name includes the
45 words "certified public accountant," or "certified public accountants,"
46 or the abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm
47 that is registered under this section shall be (1) a natural person who
48 actively participates in the business of the firm or its affiliated
49 entities, or (2) an entity, including, but not limited to, a partnership
50 or professional corporation, provided each beneficial owner of an equity
51 interest in such entity is a natural person who actively participates in
52 the business conducted by the firm or its affiliated entities. For
53 purposes of this subdivision, "actively participate" means to provide
54 services to clients or to otherwise individually take part in the day-
55 to-day business or management of the firm.

1 § 12. Subdivision (a) of section 1301 of the limited liability company
2 law, as amended by chapter 475 of the laws of 2014, is amended to read
3 as follows:

4 (a) "Foreign professional service limited liability company" means a
5 professional service limited liability company, whether or not denomi-
6 nated as such, organized under the laws of a jurisdiction other than
7 this state, (i) each of whose members and managers, if any, is a profes-
8 sional authorized by law to render a professional service within this
9 state and who is or has been engaged in the practice of such profession
10 in such professional service limited liability company or a predecessor
11 entity, or will engage in the practice of such profession in the profes-
12 sional service limited liability company within thirty days of the date
13 such professional becomes a member, or each of whose members and manag-
14 ers, if any, is a professional at least one of such members is author-
15 ized by law to render a professional service within this state and who
16 is or has been engaged in the practice of such profession in such
17 professional service limited liability company or a predecessor entity,
18 or will engage in the practice of such profession in the professional
19 service limited liability company within thirty days of the date such
20 professional becomes a member, or (ii) authorized by, or holding a
21 license, certificate, registration or permit issued by the licensing
22 authority pursuant to, the education law to render a professional
23 service within this state; except that all members and managers, if any,
24 of a foreign professional service limited liability company that
25 provides health services in this state shall be licensed in this state.
26 With respect to a foreign professional service limited liability company
27 which provides veterinary services as such services are defined in arti-
28 cle 135 of the education law, each member of such foreign professional
29 service limited liability company shall be licensed pursuant to article
30 135 of the education law to practice veterinary medicine. With respect
31 to a foreign professional service limited liability company which
32 provides medical services as such services are defined in article 131 of
33 the education law, each member of such foreign professional service
34 limited liability company must be licensed pursuant to article 131 of
35 the education law to practice medicine in this state. With respect to a
36 foreign professional service limited liability company which provides
37 dental services as such services are defined in article 133 of the
38 education law, each member of such foreign professional service limited
39 liability company must be licensed pursuant to article 133 of the educa-
40 tion law to practice dentistry in this state. With respect to a foreign
41 professional service limited liability company which provides profes-
42 sional engineering, land surveying, geologic, architectural and/or land-
43 scape architectural services as such services are defined in article
44 145, article 147 and article 148 of the education law, each member of
45 such foreign professional service limited liability company must be
46 licensed pursuant to article 145, article 147 and/or article 148 of the
47 education law to practice one or more of such professions in this state.
48 With respect to a foreign professional service limited liability company
49 which provides public accountancy services as such services are defined
50 in article 149 of the education law, each member of such foreign profes-
51 sional service limited liability company whose principal place of busi-
52 ness is in this state and who provides public accountancy services,
53 shall be licensed pursuant to article 149 of the education law to prac-
54 tice public accountancy in this state. With respect to a foreign profes-
55 sional service limited liability company which provides licensed clin-
56 ical social work services as such services are defined in article 154 of

1 the education law, each member of such foreign professional service
2 limited liability company shall be licensed pursuant to article 154 of
3 the education law to practice clinical social work in this state. With
4 respect to a foreign professional service limited liability company
5 which provides creative arts therapy services as such services are
6 defined in article 163 of the education law, each member of such foreign
7 professional service limited liability company must be licensed pursuant
8 to article 163 of the education law to practice creative arts therapy in
9 this state. With respect to a foreign professional service limited
10 liability company which provides marriage and family therapy services as
11 such services are defined in article 163 of the education law, each
12 member of such foreign professional service limited liability company
13 must be licensed pursuant to article 163 of the education law to prac-
14 tice marriage and family therapy in this state. With respect to a
15 foreign professional service limited liability company which provides
16 mental health counseling services as such services are defined in arti-
17 cle 163 of the education law, each member of such foreign professional
18 service limited liability company must be licensed pursuant to article
19 163 of the education law to practice mental health counseling in this
20 state. With respect to a foreign professional service limited liability
21 company which provides psychoanalysis services as such services are
22 defined in article 163 of the education law, each member of such foreign
23 professional service limited liability company must be licensed pursuant
24 to article 163 of the education law to practice psychoanalysis in this
25 state. With respect to a foreign professional service limited liability
26 company which provides applied behavior analysis services as such
27 services are defined in article 167 of the education law, each member of
28 such foreign professional service limited liability company must be
29 licensed or certified pursuant to article 167 of the education law to
30 practice applied behavior analysis in this state. A foreign professional
31 service limited liability company formed to lawfully engage in the prac-
32 tice of public accountancy, as such practice is respectively defined
33 under article 149 of the education law shall be required to show (1)
34 that a simple majority of the ownership of the firm, in terms of finan-
35 cial interests, and voting rights held by the firm's owners, belongs to
36 individuals licensed to practice public accountancy in some state, and
37 (2) that all members of a foreign limited professional service limited
38 liability company, whose principal place of business is in this state,
39 and who are engaged in the practice of public accountancy in this state,
40 hold a valid license issued under section seventy-four hundred four of
41 the education law. For purposes of this subdivision, "financial inter-
42 est" means capital stock, capital accounts, capital contributions, capi-
43 tal interest, or interest in undistributed earnings of a business enti-
44 ty. Although firms may include non-licensee owners, the firm and its
45 owners must comply with rules promulgated by the state board of regents.
46 Notwithstanding the foregoing, a firm registered under this section may
47 not have non-licensee owners if the firm's name includes the words
48 "certified public accountant," or "certified public accountants," or the
49 abbreviations "CPA" or "CPAs". Each non-licensee owner of a firm that is
50 registered under this section shall be (1) a natural person who actively
51 participates in the business of the firm or its affiliated entities, or
52 (2) an entity, including, but not limited to, a partnership or profes-
53 sional corporation, provided each beneficial owner of an equity interest
54 in such entity is a natural person who actively participates in the
55 business conducted by the firm or its affiliated entities. For purposes
56 of this subdivision, "actively participate" means to provide services to

1 clients or to otherwise individually take part in the day-to-day busi-
2 ness or management of the firm.

3 § 13. Notwithstanding any other provision of law to the contrary,
4 there is hereby established a fee for each non-licensee owner of a firm
5 that is registered in this state to lawfully engage in the practice of
6 public accountancy. Such non-licensee owner shall pay a fee of nine
7 hundred dollars to the department of education on a triennial basis.

8 § 14. This act shall take effect immediately.